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Paul Challenges Greenspan on Monetary Policy *Congressman Warns Against Currency Inflation*

Washington D.C.- Federal Reserve Board Chairman Alan Greenspan testified before a House Banking Committee today, presenting Congressman Ron Paul with an opportunity to question the Fed's manipulation of our monetary system. Paul, a member of the House Committee on Banking and Financial Services, is a longtime advocate of sound monetary policies based on free market interest rates and commodity money. He has been an outspoken critic of the Federal Reserve and its inflationary policies. Paul's questions focused on the distortions created by the Federal Reserve's expansion of the money supply, noting that businesses tend to make bad decisions when large amounts of Fed-created capital are available. He also challenged the notion that the federal government has a "budget surplus", given our ongoing borrowing and an ever-increasing national debt of more than a trillion dollars. Congressman Paul noted that in the past decade, the Federal Reserve has greatly increased the M3 money supply. He pressed the Fed Chairman to comment on the recessionary correction that results from monetary expansion, citing the conclusion of several prominent Austrian-school economists that such an expansion is unsustainable. "I would appreciate your assurances that you think those economists are wrong on this" Paul said, although Greenspan declined to engage in an "intellectual discussion" on the issue. "Alan Greenspan has been quite generous when it comes to creating new money," Paul stated later. The current 'prosperity' touted by the administration has been dependent on the creation of credit out of thin air by the Federal Reserve when it inflates our currency. This monetary inflation has already set the stage for the next recession. The only policy available to the Fed today is to further inflate the currency in an attempt to delay the inevitable correction." "Our fiat monetary policy is doomed to fail," Paul continued. "The Fed can print money to bolster the economy in the short run, but the law of supply and demand applies to money as well as goods and services. The debate should not be about whom is best at managing the economy, determining the money supply, and setting the proper interest rates. The debate should ask whether we should have a government-managed monetary system at all."

